

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN RE: APPLICATION OF ANTIOCH
WATER COMPANY TO INCREASE
ITS RATES

No. 99-00584 RECEIVED TN
REGULATORY AUTHORITY
JUN 11 PM 12

OFFICE OF THE
EXECUTIVE SECRET

PETITION

Petitioner, ANTIOCH WATER COMPANY, would respectfully show to the
Authority as follows:

1. That it is a utility company with its principal place of business located at 11230 Highway 79 North, Buchanan, TN, 38222.
2. That it is a public utility as defined in T.C.A. 65-4-101 and subject to the regulations of the Tennessee Regulatory Authority. It was granted its original Certificate of Convenience and Necessity from this Authority on April 16, 1996, and has since been operating a private utility within the 13th Civil District of Henry County, Tennessee.
3. That pursuant to previous orders of the Tennessee Regulatory Authority, the following rate for monthly service was authorized: \$15.00 per month plus \$1.48 tax, with no minimum or maximum usage on gallons of water.
4. Petitioner submits periodic financial statements to the Tennessee Regulatory Authority. The Exhibit attached hereto as Cumulative Exhibit 1 reflects an a projected loss for 1999. Petitioner further submits that there are numerous improvements to the water system which are necessary at this time, and that the total cost of such improvements is approximately \$123,500.00. An itemized list of necessary

improvements is attached as Exhibit 2. The projection for 1999 reflects a projected percentage increase in water rates of 142% needed.

Thus, Petitioner would show that in order to continue to operate and service its customers, and to eventually provide a rate of return on the owner's investment, the existing rates should be increased as follows: .


(A) Monthly water service rates for all customers should be increased by 142% .

(B) Tap fee rates for all customers should be increased from \$500.00 to \$1,000.00.

WHEREFORE, PETITIONER PRAYS:


1. That the Tennessee Regulatory Authority approve an increase in rates and tap fees as aforesaid.
2. That this matter be set for a hearing at a very early date, for Petitioner needs immediate emergency relief.
3. For such other relief as it may be entitled to.

Respectfully submitted, this 6th day of August, 1999.


J. GILBERT PARRISH, JR.
TN BPR #010573
Attorney for Petitioner
605 Court Street
Savannah, TN 38372
(901) 925-1966

ANTIOCH WATER COMPANY
11230 Highway 79 North
Buchanan, TN 38222

By: 
RANDY C. ALLEN, Owner

By: 
TED R. FIELDS, Owner

ANTIOCH WATER COMPANY - PTRSHP
REQUEST FOR WATER RATE INCREASE
EFFECTIVE JULY 1, 1999

	ACTUAL <u>1998</u>	PROJECTED <u>1999</u>
GROSS REVENUES - RESIDENTIAL	\$44,359	\$44,359
OPERATING EXPENSES:		
Salaries and Wages - Partners (See Note 1)	-0-	45,440
Mileage reimbursements (See Note 2)	3,296	3,395
Legal and Accounting (See Note 3)	2,500	8,075
Taxes and Licenses (See Note 2)	1,895	1,952
Professional fees (See Note 2)	1,562	1,609
Telephone and Utilities (See Note 2)	1,097	1,130
Supplies (See Note 2)	937	965
Repairs and Maintenance (See Note 4)	802	6,526
Office supplies (See Note 2)	693	714
Insurance (See Note 2)	636	655
Sub-let Labor (See Note 2)	570	587
Interest expense (See Note 5)	529	5,274
Depreciation (See Note 6)	9,344	9,826
Other expenses (See Note 2)	<u>200</u>	<u>206</u>
TOTAL EXPENSES	<u>24,061</u>	<u>86,354</u>
OPERATING MARGIN (DEFICIT)	<u>20,298</u>	<u>(41,995)</u>
OTHER INCOMES:		
Gain on sale of land	2,000	-0-
Interest income (See Note 7)	<u>221</u>	<u>310</u>
TOTAL OTHER INCOMES	<u>2,221</u>	<u>310</u>
NET OPERATING INCOME (DEFICIT)	<u>\$22,519</u>	<u>(\$41,685)</u>
Required Rate on Rate Base		<u>N/A</u>
Revenue Increase Needed - See Page 2		<u>\$63,231</u>
Projected 1999 Revenue, Before Increase		<u>\$44,669</u>
Projected Percentages Increase in Rate Needed		<u>142%</u>
Number of Subscribers	<u>242</u>	<u>242</u>

ANTIOCH WATER COMPANY - PTRSHP

REQUIRED RETURN ON RATE BASE

EFFECTIVE JULY 1, 1999

INCREASE IN REVENUE NEEDED

The rate should be established based on a reasonable margin above operation expenses.

	ACTUAL 1998	PROJECTED 1999
Operating Expense	24,061	86,354
Reasonable Margin (20% of Adjusted Revenue)	<u>5,939</u>	<u>21,546</u>
ADJUSTED REVENUE	30,000	107,900
Gross Revenue Before Increase	<u>(46,580)</u>	<u>(44,669)</u>
(DECREASE) INCREASE IN REVENUE NEEDED	<u>(\$16,580)</u>	<u>\$ 63,231</u>

ANTIOCH WATER COMPANY - PTRSHP

NOTES TO 1999 PROJECTED AMOUNTS

EFFECTIVE JULY 1, 1999

- NOTE 1 - This entity is a Partnership. Since this business started March 31, 1993 the 2 partners have only been taking out enough money to get them by. Thus starting in 1999 the 2 partners will pay themselves a wage of \$22,720 each which is at least the amount they would have to pay other people to perform the same duties, and probably would have to pay other people more.
- 2 - Estimating a 3% increase in inflation rate combined with Consumer Price Index to prior year actual amounts.
- 3 - 3% increase in prior year legal and accounting, due to Note 2 above, plus additional legal fees of \$4,000 and accounting fees of \$1,500 due to preparing paperwork and getting rate increase approval by TRA.
- 4 - 3% increase in prior year repairs and maintenance, due to Note 2 above, plus estimated additional expenses of \$5,700 for repairs and maintenance needed on system now.
- 5 - Estimated interest expense due on present note for 1999 of \$117, plus taking into consideration borrowing approximately \$125,000 for capital additions needing to substantial replace and extend the life of existing water system along with repairs and maintenance to keep system working presently. Interest will be computed on \$125,000 for 10 years at an approximate interest rate of 10%, so for 1999 the interest expense should be increased \$5,157 for 1999 Projected year.
- 6 - Estimated depreciation for Projection Year 1999 is from depreciation carryforward schedule in the amount of \$4,218 plus depreciation per Note 5 above of approximately $\$112,150 \div 10 \text{ years} \times 1/2 \text{ year} = \$5,608$.
- 7 - Estimating interest earned on sale of land and savings account should be approximately \$310 for 1999, Projected Year.

EXHIBIT 2

IMPROVEMENT LIST AND COSTS

1. Alternative Power Source:
 Harbor Equipment Generator - \$4,500
 Labor for Electrical Hook-Up - \$500
 TOTAL: \$5,000

2. Rebuild Chlorination System:
 Repair Parts and Pumps - \$750 (Buford Brothers)
 Labor for Swapping Out Pumps and Repairs - \$150
 TOTAL: \$900

3. Purchase a Backup Motor and Pump (Smith Electric) - \$2,500
 Repair Existing Motor and Pumps - \$1,250 or 2 for \$2,500
 TOTAL: \$5,000

4. Replace Old Gate Valves, Bore Out and Replace Impellar Housing
 on Both Pump Motors (G & C Supply) - \$800
 TOTAL: \$800

5. Pump House Repair:
 Parts - \$1,500
 Labor - \$2,500
 TOTAL: \$4,000

6. Larger Pressure Tank:
 Plumbing - \$5,000
 Labor - \$800
 Construction Labor - \$800
 Electrical Wiring Reworked and Labor - \$1,200
 Parts and Materials - \$1,100
 TOTAL: \$8,900

7. Purchase a Larger Air Compressor:
 Parts - \$3,000
 Labor - \$750
 Pumphouse Expansion - \$2,500
 TOTAL: \$6,250

8. Update Billing – Computerize Bookkeeping - \$3,000
 TOTAL: \$3,000

Page 2 – Improvement Lists and Costs

9. Repair and Replace Valves in Water Boxes - \$250/box times the number of boxes (250) - \$62,500
TOTAL: \$62,500
10. Repair and Replace Cut-Off Valves:
24 total valves at \$500/each - \$12,000
24 TOTAL: \$12,000
11. Install Six (6) Additional Flush Valves at \$500/each - \$3,000
TOTAL: \$3,000
12. Rebuild Entire Electrical System:
Switches, Relays, Timers, and Capisators (Wofford Electric) - \$6,500
TOTAL: \$6,500
13. Cash Reserves – 1/12 of Gross Operating Expense
14. Legal Fees - \$4,000
15. Accounting Fees - \$1,500

Before The
PUBLIC SERVICE COMMISSION
Of The
STATE OF TENNESSEE

in re:

ANTIOCH WATER COMPANY - PTRSHP

(Docket No. _____)

Testimony
Of
Jerry C. Bailey, C.P.A.

July 1999

1 Q. Please state your name for the record, please.

2 A. My name is Jerry C. Bailey, C.P.A.

3 Q. By whom are you employed and what is your position?

4 A. I am self-employed as a Certified Public Accountant and owner of my own business.

5 Q. How long have you been acquainted with the finances of Antioch Water Company (A

6 Partnership)?

7 A. I have been involved with the finances of the Partnership and the partners since 1993.

8 Q. What is your educational background and what degrees do you hold?

9 A. I received a Bachelors degree in Business from Saint Bernard College in May 1976.

10 I have been a Certified Public Accountant in Alabama since 1982 and in Tennessee

11 since 1986.

12 Q. Would you briefly describe your role as independent C.P.A. for Antioch Water

13 Company (A Partnership)?

14 A. I advise the Partners on financial and tax matters of the partnership.

14 Q. What is the purpose of your testimony?

15 A. The purpose of my testimony is to present information in support of the petition of

16 Antioch Water Company (A Partnership) for a water rate increase.

17 Q. Why is the Partnership filing this petition for a rate increase?

18 A. The Partnership is filing this petition for a rate increase because the Partnership

19 has been able to generate only the funds necessary to keep the facility in operation

1 and has not provided additional funds for necessary repairs and facility
2 improvements.

3 Q. Can you identify any specific reasons why the Partnership has been unable to generate
4 funds necessary for needed repairs and improvements?

5 A. Yes. The Partnership has been unable to generate funds necessary for needed repairs
6 because it has not had a rate increase since the facility was aquired in 1993. The
7 Partnership has experienced normal inflation over the past six years. The current rate
8 has provided only enough funds to keep the facility operational. Because of the age
9 of the facility, it is in desperate need of repair.

10 Q. Are you familiar with the projections filed with the Partnership's petition as
11 "Cumulative Exhibit 1"?

12 A. Yes, I am familiar with those projections. The projections were based on assumptions
13 provided by Randy Allen, a Partner in the Partnership.

14 Q. In your professional opinion, do you agree that this rate increase is necessary in order
15 for the Partnership to continue service to its customers without interruption?

16 A. Yes. In my professional opinion, the rate increase is necessary and reasonable in
17 order for the Partnership to continue to provide services to its customers. Without
18 this rate increase the Partnership will be unable to keep the facility in adequate
19 condition to be operational.

20 Q. Are the projections and this rate request based upon a return on rate base?

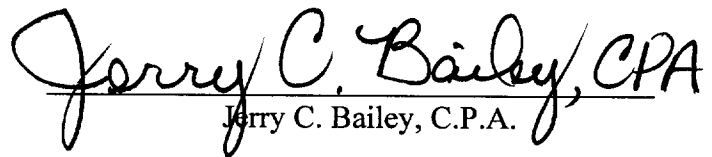
- 1 A. No. Because of the age of the Plant in Service and the amount of corresponding
2 accumulated depreciation, there is no rate base from Plant. This rate increase request
3 should be properly addressed based upon operating margin instead of rate base.
- 4 Q. Does this conclude your testimony?
- 5 A. Yes, it does.

Affidavit

State of Tennessee)
)
County of Henry)

Jerry C. Bailey, C.P.A., being first duly sworn, deposes and says that he is the same
Jerry C. Bailey, C.P.A. whose prepared testimony accompanies this affidavit.

Jerry C. Bailey, C.P.A. further states that, to the best of his knowledge and belief, his
answers to the questions contained in such prepared testimony are true and accurate to the best of
his knowledge and belief.


Jerry C. Bailey, C.P.A.

Sworn to and subscribed before me,
a Notary Public, on this the 15th
day of July, 1999.


My Commission Expires:



Before The
Tennessee Regulatory Authority
Of The
State of Tennessee

in re:
ANTIOCH WATER COMPANY
(Docket No. _____)

Testimony
Of
Ted R. Fields

August, 1999

Q. Please state your name for the record.

A. My name is Ted R. Fields.

Q. By whom are you employed and what is your position?

A. I am employed by Antioch Water Company as a partner. I am also employed as a teacher with the Henry County Board of Education.

Q. How long have you been a partner in Antioch Water Company?

A. I have been a partner in Antioch Water Company for 6 years.

Q. Would you briefly describe your duties as a partner in Antioch Water Company?

A. I handle the accounts payable and receivable for the company. I also assist in maintenance and repairs as needed.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide information in support of the petition of Antioch Water Company (Company) for a water rate increase and tap rate increase.

Q. When was the company's last rate increase?

A. The last rate increase was in 1993. When we purchased the company, we standardized everyone's rate and established a flat rate of \$15.00 per month.

Q. Why is the company filing this petition for a rate increase?

A. The Company is filing this petition for a rate increase because the water system is in need of substantial repairs and will be operating at a projected loss for this year.

Q. Would you please summarize the Company's petition?

A. The Company has filed a petition requesting that all monthly service rates be increased by 142%. The Company has further requested that all tap fees be increased from \$500.00 to \$1,000.00.

Q. What does this 142% request translate into for monthly service fee for the Company's ratepayers?

A. For all customers, a 142% increase in water rates would mean that the flat monthly billing would go from \$15.00, plus tax, to \$36.30, plus tax.

Q. Can you identify specific reasons why the Company will be sustaining a projected operating loss for this year?

A. Yes. The Company has not had a rate increase since 1993, when all rates were standardized. The water system is in need of extensive repairs, which will total approximately \$123,500.00. We also are including \$45,000.00 per year to pay maintenance, repair, and administrative personnel costs. We also have additional legal and accounting fees for this year due to the filing of the petition for rate increase.

Q. Are there specific repairs which are now pending and necessary?

A. Yes. Extensive repairs are needed. A list of necessary repairs was attached to the petition as Exhibit 2.

Q. Will the Company be receiving material amounts of Contributions in Aid of Construction in the form of tap fees in the future?

A. No. We operate in a very limited area. Any expansion into new areas to service new customers will be very expensive and require the installation of new water lines.

Q. Are you aware of any complaints regarding the company's service?

A. We normally have complaints when there are emergency outages. In that situation, both my partner and I are on-call 24 hours. We restore service as soon as possible. We also have complaints when customers attempt to store minnows using water from our system and the chlorine kills the fish.

Q. Are there other issues which need to be discussed at this time?

A. No

Q. Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF HENRY

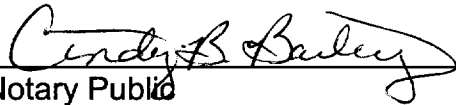
TED R. FIELDS, being first duly sworn, deposes and says that he is the same Ted R. Fields whose prepared testimony accompanies this affidavit.

TED R. FIELDS further states that, to the best of his knowledge and belief, his answers to the questions contained in such prepared testimony are true and accurate to the best of his knowledge and belief.


TED R. FIELDS

Sworn to and subscribed before me this the 29th day of August, 1999.

My Commission Expires: 12/22/99


Notary Public

Before The
Tennessee Regulatory Authority
Of The
State of Tennessee

in re:

ANTIOCH WATER COMPANY
(Docket No. _____)

Testimony
Of
Randy C. Allen

August, 1999

Q. Please state your name for the record.

A. My name is Randy C. Allen.

Q. By whom are you employed and what is your position?

A. I am employed by Antioch Water Company as a partner. I am also the owner of Riverwood Campgrounds and am self-employed in small-business development work.

Q. How long have you been a partner in Antioch Water Company?

A. I have been a partner in Antioch Water Company for 6 years.

Q. Would you briefly describe your duties as a partner in Antioch Water Company?

A. I handle the technical aspects of the system: testing water quality, filing necessary state reports, performing necessary repairs and routine maintenance.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide information in support of the petition of Antioch Water Company (Company) for a water rate increase and tap rate increase.

Q. When was the company's last rate increase?

A. The last rate increase was in 1993. When we purchased the company, we standardized everyone's rate and established a flat rate of \$15.00 per month.

Q. Why is the company filing this petition for a rate increase?

A. The Company is filing this petition for a rate increase because the water system is in need of substantial repairs and will be operating at a projected loss for this year.

Q. Would you please summarize the Company's petition?

A. The Company has filed a petition requesting that all monthly service rates be increased by 142%. The Company has further requested that all tap fees be increased from \$500.00 to \$1,000.00.

Q. What does this 142% request translate into for monthly service fee for the Company's ratepayers?

A. For all customers, a 142% increase in water rates would mean that the flat monthly billing would go from \$15.00 to \$36.30.

Q. Can you identify specific reasons why the Company will be sustaining a projected operating loss for this year?

A. Yes. The Company has not had a rate increase since 1993, when all rates were standardized. The water system is in need of extensive repairs, the cost of which will total approximately \$123,500.00. We also are including \$45,000.00 per year to pay maintenance, repair, and administrative personnel costs. We also have additional legal and accounting fees for this year due to the filing of the petition for rate increase.

Q. Are there specific repairs which are now pending and necessary?

A. Yes. Extensive repairs are needed. A list of necessary repairs was attached to the petition as Exhibit 2.

Q. Will the Company be receiving material amounts of Contributions in Aid of Construction in the form of tap fees in the future?

A. No. We operate in a very limited area. Any expansion into new areas to service new customers will be very expensive and require the installation of new water lines.

Q. Are you aware of any complaints regarding the company's service?

A. We normally have complaints when there are emergency outages. In that situation, both my partner and I are on-call 24 hours. We restore service as soon as possible. We also have complaints when customers attempt to store minnows using water from our system and the chlorine kills the fish.

Q. Are there other issues which need to be discussed at this time?

A. No

Q. Does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF TENNESSEE
COUNTY OF HENRY

RANDY C. ALLEN, being first duly sworn, deposes and says that he is the same Randy C. Allen whose prepared testimony accompanies this affidavit.

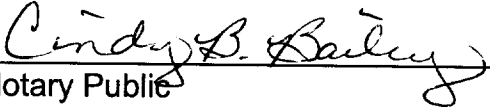
RANDY C. ALLEN further states that, to the best of his knowledge and belief, his answers to the questions contained in such prepared testimony are true and accurate to the best of his knowledge and belief.



RANDY C. ALLEN

Sworn to and subscribed before me this the 29th day of August, 1999.

My Commission Expires: 12/22/99



Notary Public